UNIVERSITY OF
REGINA

University of Regina Non-Academic Pension Plan

Financial Statements

For the Year Ended December 31, 2008

AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the University of Regina Non-Academic Pension Plan as at December 31, 2008 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2008 and the changes in the net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 5, 2009

Fred Wendel, CMA, CA
Provincial Auditor

University of Regina Non-Academic Pension Plan
Statement of Net Assets Available for Benefits,
Accrued Pension Benefits and Surplus
As At December 31

	2008	2007
Assets		
Investments:		
Master Trust fund (Note 5)	$ 55,215,550	$ 68,185,030
Receivables:		
Employee contributions	99,813	91,532
Employer contributions	99,747	91,152
	199,560	182,684
Total assets	55,415,110	68,367,714
Liabilities		
Accounts payable	275,650	1,038,535
Total liabilities	275,650	1,038,535
Net Assets Available for Benefits (Statement 2)	55,139,460	67,329,179
Accrued Pension Benefits (Statement 3)	54,263,000	55,301,000
Surplus	$ 876,460	$ 12,028,179

Approved by the Board of Governors

Chair, Board of Governors

Vice President (Administration)

The accompanying notes are an integral part of these financial statements

University of Regina Non-Academic Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

	2008	2007
Increase in Assets		
Current period change in market values of investments:		
Net realized gain on sale	$ 1,861,510	$ 2,892,348
Unrealized (depreciation) of investments	(11,882,814)	(1,145,444)
	(10,021,304)	1,746,904
Contributions:		
Employee contributions	1,207,023	892,820
Employer contributions	1,205,912	888,444
	2,412,935	1,781,264
Total increase in assets	(7,608,369)	3,528,168
Decrease in assets		
Plan expenses (Note 6)	483,284	482,844
Pension benefits	2,068,248	1,775,941
Refunds and transfers	2,029,818	4,770,957
Total decrease in assets	4,581,350	7,029,742
Net Increase in Assets	(12,189,719)	(3,501,574)
Net Assets Available for Benefits, Beginning of Year	67,329,179	70,830,753
Net Assets Available for Benefits, End of Year (to Statement 1)	$ 55,139,460	$ 67,329,179

The accompanying notes are an integral part of these financial statements

University of Regina Non-Academic Pension Plan
Statement of Changes in Accrued Pension Benefits
For the Year Ended December 31

	2008 (Note 7)	2007 (Note 7)
Accrued Pension Benefits, Beginning of Year	$ 55,301,000	$ 57,490,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	3,595,000	3,721,000
Benefits accrued	3,014,000	2,402,000
	6,609,000	6,123,000
Decrease in Accrued Pension Benefits:		
Benefits paid	4,231,000	6,760,000
Experience gain	4,128,000	1,829,000
Change in Assumptions	(712,000)	(277,000)
	7,647,000	8,312,000
Accrued Pension Benefits, End of Year (to Statement 1)	$ 54,263,000	$ 55,301,000

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policy is considered significant.

a) Investments

Investments are comprised of units in a pooled fund called the University of Regina Master Trust. Additional units are acquired when assets are transferred to the Fund and when distributions are made by the Fund. The Plan can realize changes in the underlying unit values by redeeming units.

Units in the Master Trust fund are recorded at fair market value in the accounts at their net asset value per unit. The net asset value per unit is the market value of the pooled fund's investments divided by the total number of units outstanding in the Fund.

The change in net asset value of the Fund during the year is reflected in the Statement of Changes in Net Assets Available for Benefits as Unrealized appreciation of investments.

Investment transactions are recorded as of the trade date.

b) Use of estimates

In preparing the financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of the fair value of investments and investment related receivables in the Master Trust. Significant estimates are also used in the determination of accrued pension benefits. Actual results could differ from those estimates, which may impact the results reported in future periods.

c) Change in accounting policies

Financial instruments – disclosure and presentation

Effective January 1, 2008, the Plan adopted the new "Canadian Institute of Chartered Accountants Section 3862, "Financial Instruments – Disclosures," and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The impact of implementing these new standards has been disclosed in Note 5.

Capital disclosures

Effective January 1, 2008, the Plan adopted Section 1535, "Capital Disclosures." The adoption of this new standard had no material impact on the Master Trust's financial statements.

d) Future accounting policy changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. Currently, Pension Plans are not required to convert to IFRS completely, but are to continue to comply with current standards. The Master Trust is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements when conversion is required.

2. Authority for the Plan

Section 62(j) of *The University of Regina Act* provides that the Board of Governors may establish a system of pension or retiring allowances for any or all classes of University officials and other employees.

3. Plan Administration

In January 1979, the Board of Governors of the University of Regina established the Pension Plan. The Non-Academic Benefits Committee is a sub-committee of the Board of Governor's Human Resources Committee and has the responsibility to administer the Plan according to the terms and provisions of the Plan agreement. The University has appointed, through agreements, investment managers to authorize investments, and a trustee to maintain custody of the plan assets and invest the plan assets as authorized by the investment managers.

4. Description of the Plan

The following description of the University's Non-Academic Pension Plan is a summary only. For more information, reference should be made to the Plan document.

a) General

The Plan is a contributory defined benefit final average pension plan open to all non-academic employees of the University of Regina who are employed on a permanent full-time, seasonal full-time, term or permanent part-time basis. Participation in the plan is compulsory after completing an applicable probationary period.

Plan membership is extended to those employees who qualify from the federated colleges, Campion and Luther, and continues to be extended to the employees of the Mackenzie Art Gallery. There are 495 active members in the plan.

b) Retirement Benefits

The normal retirement date is the first day of the month following the attainment of age 65. The monthly retirement benefit payable to a Member who retires on the normal retirement date on or after January 1, 1999 is equal to the sum of:

i) 2% of the Member's average best three years earnings multiplied by the number of years of credited service (including fractions for completed months) for past and future service to December 31, 2010,

plus

ii) 1.75% of the Member's average best three years earnings with the University multiplied by the number of years of credited service (including fractions for completed months) after December 31, 2010.

The annual retirement benefit is based on maximum earnings of $116,667 as outlined in the *Income Tax Act* (Canada).

A Member who retires on the Late Retirement Date on or after January 1, 1999 shall receive a pension which is the Actuarial Equivalent of the pension the Member would have received had the Member retired on the Normal Retirement Date and as if the Normal Retirement Date is after December 31, 1998 as outlined above. Members must retire by the end of the calendar year in which they attain the age of 69.

The normal form of pension is a single life pension payable monthly in arrears with a ten year guarantee. Other options are available on an actuarially equivalent basis.

Unless the Member's spouse has signed a waiver under applicable legislation reducing survivor benefits for the spouse, an actuarially equivalent amount of pension shall be paid to the Member in a joint and 60% survivor form.

c) Indexing

Retirement benefit payments may be increased on an ad-hoc basis as recommended by the Non-Academic Employees' Benefit Committee, which is a sub-committee of the Board of Governor's Human Resources Committee, and approved by the Board as warranted by increases in the Consumer Price Index for Canada.

d) Termination Benefits

A Member becomes locked-in after completing two years of continuous service.

Upon termination of employment prior to becoming locked-in, a member may elect:

i) to receive a lump sum cash refund of the Member's required contributions with interest; or

ii) to transfer to another registered pension plan, a prescribed Registered Retirement Savings Plan (RRSP), an Insurance Business to purchase an immediate or deferred pension, or any other prescribed registered retirement plan an amount equal to the greater of two times the member's required contributions with interest and the Commuted Value of the monthly retirement benefit.

Upon termination of employment after becoming locked-in, a Member shall receive a transfer to another registered pension plan, a prescribed RRSP, an Insurance Business to purchase an immediate or deferred pension, or any other prescribed registered retirement plan of an amount equal to the greater of:

i) two times the member's required contributions plus interest and two times the member's Transfer Value plus Interest; and

ii) the Commuted Value of the monthly retirement benefit.

e) Death Benefits

i) Prior to Retirement

Upon death of a member, other than a retired member, the Member's spouse or beneficiary shall receive a lump-sum cash refund, a transfer to another registered pension plan, a prescribed RRSP, an Insurance Business to purchase an immediate or deferred pension, or any other prescribed registered retirement plan an amount equal to the sum of the Member's transfer value, accumulated with interest to the time of payout, plus the greater of the following:

A) two times the Member's required contributions plus interest, and

B) the Commuted Value of the monthly retirement benefit.

ii) After Retirement

Upon the death of a retired member, benefit payments, if any, shall be continued in accordance with the benefit payment option elected by the Member at the time of retirement.

f) Members' Contributions

Members are required to contribute 6.5% of earnings.

g) Funding Policy

The University shall contribute monthly to the fund 6.5% of earnings.

h) Interest Rate Credited

The interest credited to the members' and University contributions is the greater of: interest based on crediting the minimum rate prescribed under applicable Legislation and the four-year geometric average net fund rate of return averaged over the four most recently completed plan years, less 1.0% per annum.

i) Disability Benefits

Periods during which a Member is in receipt of disability benefits provided from the Short Term Disability Plan or the Long-Term Salary Continuance Plan count as pensionable service. Member contributions are deemed to be made on the Member's earnings immediately prior to becoming disabled adjusted each year

thereafter by the average increase in the members who occupy a similar job or position to that member.

5. Financial Instruments

The Plan's significant financial instruments consist of accounts receivable, accounts payable, and investments.

Contributions Receivable and Accounts Payable

The contributions receivable and accounts payable are non-interest bearing financial instruments and are due or payable within the next year. Due to the short-term maturity, the fair value of these financial instruments approximates carrying value.

Investments

Effective December 1, 1995, the assets of the University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans were combined into a pooled fund called the Master Trust to improve investing opportunities. Each plan holds units in the Master Trust rather than holding individual investments. For more information, reference should be made to the Master Trust Agreement.

The total assets of the Master Trust on December 31, 2008 is $276,944,364. The Unitholders' Equity at December 31, 2008 is:

Academic & Administrative Employees' Pension Plan	$	221,728,814
Non-Academic Employees' Pension Plan		55,215,550
	$	276,944,364

The investment objectives of the Plan are to ensure there are sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Master Trust takes a long-term investment perspective.

As a result, the following risks of the Master Trust are also risks of the Plan.

Based on the investment objectives set by the participating pension plans, the Master Trust invests cash flows from the pension plans. The nature of the Master Trust's operations results in a statement of net assets that consists primarily of financial instruments. The risks that arise are market risk, (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk and liquidity risk.

Significant financial risks are related to the investments. These financial risks are managed by having an investment policy, which is approved by the Board of Governors. The investment policy provides guidelines to the Master Trust's investment managers for the asset mix of the portfolio regarding the quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives (such as

options, futures, and forward contracts) are allowed within the Master Trust to protect against losses from changes in exchange rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The investment policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage.

a) Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Master Trust's cash flows, financial position and income. This risk arises from short-term changes in nominal interest rates that cause differences in the timing and amount of cash flows related to the investments. Interest rate risk is managed by investing in fixed income investments (short-term investments, bonds and debentures, mortgages) of various durations. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase the value of the fixed income investments by $ 6,820,000 at December 31, 2008, representing 5.89% of the $115,816,258 fair value of these investments in the Master Trust.

Foreign Exchange:

The Master Trust is subject to changes in the U.S/Canadian dollar exchange rate for US denominated investments. Also, the Master Trust is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in the pooled Non-North American equity fund. Exposure to US equities and Non-North American equities is limited to a maximum 23% each of the total of the fair value of the total investment portfolio. At December 31, 2008 the Master Trust's exposure to US equities was 18.6% (2007 – 18.5%) and its exposure to Non-North American equities was 15.1% (2007 – 18.0%).

At December 31, 2008, a 10% appreciation in the Canadian dollar versus US dollar exchange rate would result in approximately a $ 5,100,000 million decrease in investments in the Master Trust. A 10% weakening in the Canadian dollar versus EAFE currencies would result in approximately a $ 4,200,000 million increase in investments in the Master Trust.

No more than 10% of the fair value of the bond and debentures portfolio shall be invested in bonds of foreign issuers.

Equity Prices:

	Market Value – Master Trust	
	2008	2007
Common Shares and Pooled Funds – Canadian	$44,912,822	$ 49,787,719
Pooled Funds – Foreign	93,022,966	123,137,128
	$137,935,788	$ 172,924,847

The Master Trust is exposed to changes in equity prices in Canadian, US, and EAFE markets. Equities, including equity pooled funds, comprise 49.94% (2007 – 51.30%) of the fair value of the Master Trust's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the fair value of the Master Trust's total investment portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation. Investments in pooled funds do not exceed 10% of the fair value of that fund.

The following table indicates the approximate change that would be expected to the total investment portfolio based on changes in the Master Trust's benchmark indices as at December 31, 2008:

	10% increase	10% decrease
Canadian Equities	$ 4,500,000	$ (4,500,000)
US Equities	$ 5,100,000	$ (5,100,000)
EAFE Equities	$ 4,200,000	$ (4,200,000)

b) Credit Risk

Credit risk arises from the potential for an investee to fail or for a counterparty (e.g. mortgager) to default on its contractual obligations to the Master Trust. The Master Trust limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the investments below are based on the Dominion Bond Rating Service and/or the Standard and Poor's Bond Rating Service.

Short-Term Investments

These investments in the Master Trust are comprised of a pooled fund that holds investments mainly in corporate bonds and debentures with effective interest rates of 1.4601% to 4.1008% (2007- 3.9103% to 5.5600%) and maturing within 2 to 154 days (2007 - 2 to 156 days) The investment policies of the participating pension plans state that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service.

Bonds and Debentures

The investment policies of the participating pension plans state that the minimum quality standard for individual bonds and debentures is 'B' as rated by a recognized bond rating agency at the time of purchase, and sets limits to the maximum notational amount of exposure with respect to any one issuer. Bonds rated 'BBB', 'BB' and 'B' may not be purchased if the purchase would raise holdings rated 'BBB' to 'B' inclusive to more than 15% of the fair value of the bond portfolio, with bonds rated below 'BBB' not to exceed 5% of the fair value of the bond portfolio at the time of purchase.

The Master Trust holds the following investments in bonds and debentures:

	2008						2007		
Years to Maturity	Federal	Provincial	Pooled Funds	Total Fair Value	Yield to Maturity at Fair Value	Coupon Rate	Total Fair Value	Yield to Maturity at Fair Value	Coupon Rate
Under 5	$ 654,626	296,246	66,672,613	67,623,485	0.7068%-6.7181%	3.75% - 4.75%	$ 80,877,918	3.4111%-5.7802%	3.55%-4.80%
5 - 10	-	6,512,607	-	6,512,607	3.7387%-4.2184%	4.2% - 4.5%	8,599,721	4.4182%-4.551%	4.30%-4.65%
Over 10	2,126,971	26,191,390	-	28,318,361	3.5127%-5.5791%	2.0% - 8.5%	25,093,440	4.0956%-5.6316%	5.60%-8.50%
Market Value	$ 2,781,597	33,000,243	66,672,613	102,454,453			$ 114,571,079		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Credit ratings for bonds in the Master Trust are as follows:

	2008		2007	
Credit Rating	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	$ 8,736,807	8.53%	$ 28,904,440	25.23%
AA	62,257,783	60.76%	67,445,689	58.87%
A	26,635,980	26.00%	12,963,590	11.31%
BBB	4,811,680	4.70%	4,864,010	4.25%
BB & Below	12,203	0.11%	393,350	0.34%
Total	$102,454,453	100.00%	$114,571,079	100.00%

Within bond investments there are no direct holdings other than the Government of Canada or a Canadian province. No one holding of a province is over 27.10% of the fair value of the bond portfolio. Securities of the Master Trust may not be loaned except within pooled funds where the pooled fund policy permits securities lending.

Real Estate

The Master Trust holds $22,428,279 (2007 - $22,668,927) in real estate. This represents 8.12% (2007 – 6.72%) of total investments. The investments in real estate consist of Canadian commercial property.

Mortgages

The investment policies of the participating pension plans state the investments in mortgage can be mortgages secured against Canadian real estate, mortgage-backed securities, or asset-backed securities

c) Liquidity Risk

Liquidity risk is the risk that the Master Trust is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

6. Plan Expenses

	2008		2007
	Budget	Actual	Actual
Actuarial and consulting services	$178,600	$171,690	$143,758
Administration	92,160	93,251	85,480
Investment management fees	218,200	184,448	214,939
Trustee fees	34,000	33,895	38,667
	$522,960	$483,284	$482,844

7. Accrued Pension Benefits

Aon Consulting Inc., a firm of consulting actuaries, performed an actuarial valuation as at December 31, 2006 and extrapolated this to December 31, 2007 and December 31, 2008. The actuary used the projected benefit method pro-rated on services and the best estimate assumptions approved by the Non-Academic Benefits Committee. Significant long-term assumptions used in the valuations were:

	as at December 31	
	2008	2007
Salary/YMPE increases	3.0%	3.0%
Inflation rate	2.5%	2.5%
Discount rate	6.5%	6.5%

The actual rates may vary significantly from the long-term assumptions used. During the year, the Plan experienced a gain of $4,128,000 mostly due to credited interest on contributions balances different than assumed.

Mortality tables used were the UP 1994 projected to 2020 (2007 - UP 1994 projected to 2008).

The Plan Document states that any excess surplus shall be used to reduce the contributions of the University, or used to improve the benefits of the Members and/or Retired Members, or both. Any use of surplus to reduce contributions of the University must be negotiated with the members as part of the collective agreement. Any use of surplus would be for the benefit of the members.

Upon termination or death of a member, the member, beneficiary or spouse shall receive a transfer as described in the description of the Plan at Note 4. The December 31, 2008 actuarial present value of accrued pension benefits in Statement 3 contains $232,462 (2007 - $344,981) related to members who have died or terminated. The University is attempting to transfer these amounts, but it is unknown how soon this will be accomplished as the transfer is dependent upon decisions to be made by the member, beneficiary or spouse.

The following illustrates the effects of changing certain assumptions:

Assumption:	**Adjusted Assumption (Change Made):**	**Change in Accrued Liability**	**Percentage Change in Accrued Liability**
Discount rate	7.5% (Plus 1%)	($5,411,000)	(9.97%)
	5.5% (Minus 1%)	$8,747,000	16.12%
Salary, YMPE, and *Income Tax Act* Maximum Pension increase	4% (Plus 1%)	$3,174,000	5.85%
	2% (Minus 1%)	($2,053,000)	(3.78%)
Inflation rate	3.5% (Plus 1%)	($3,858,000)	(7.11%)
	1.5% (Minus 1%)	$4,823,000	8.89%

The pension obligation is long-term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligation. Therefore, determination of the fair value of the pension liability is not practical.

8. Investment Performance

The University has retained Phillips, Hager & North Ltd. as investment manager of the majority of the investments in the Master Trust. The University also contracts with Templeton Management, Bentall Investment Management, and Barclay's Global Investors to be investment managers of specific types of investments in the Master Trust.

These investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers.

The primary long-term investment performance objective for the entire Master Trust portfolio is to out-perform a benchmark portfolio with weightings as follows:

Asset Class	Representative Index	Weight
Canadian equities	S&P/TSX Composite Index	16 %
U.S. equities	S&P 500 Index (Cdn $)	7
U.S. equities	S&P 500 Index - Hedged	7
Non-North American equities	MSCI EAFE Index (Cdn $)	15
Global equities	MSCI World Index (Cdn $)	10
Real Estate	Investment Property Databank	10
Bonds	DEX Universe Bond Index	33
Short-term investments	91-day T-Bills	2
		100 %

The University engages the services of Hewitt Associates, asset management consultants, to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. Hewitt Associates reports to the Joint Academic and Administrative and Non-Academic Benefits Committee quarterly on the investment performance in terms of the performance of the benchmark portfolio over moving four-year periods.

The one year investment objective (the return of the benchmark portfolio) was -15% (2007 – 2.3%). For the year ending December 31, 2008, the Master Trust had a gross rate of return of -15.2% (2007 – 2.5%). For the four years ending December 31, 2008, the Master Trust had an annualized gross rate of return of 1.9% (2007 – 8.8%). The investment objective (the return of the benchmark portfolio) was 2.0% (2007 – 8.4%).

9. Related Parties

The Plan is related to the University of Regina and other pension plans sponsored by the University.

The University pays all plan expenses, pension benefits and refunds and transfers on behalf of the Plan, and then is reimbursed by the Plan. Contributions for the federated colleges and Mackenzie Art Gallery are calculated and collected through the University's normal payroll process.